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SUBJECT: DAILY SUMMARY OF JAPANESE PRESS 03/09/07

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ARTICLES:

- (1) Interview with Prime Minister Shinzo Abe on constitutional revision

TOKYO SHIMBUN (Page 2) (Excerpts)
March 8, 2007

Tokyo Shimbun: "Many Liberal Democratic Party lawmakers are calling for enacting national referendum legislation by May 3, Constitution Day."

Prime Minister Abe: "Under Article 96, constitutional revision requires a set of procedures, but the Diet has failed over the last six decades to undertake work to support those procedures with legislation. In terms of fulfilling its original goal, there is

every reason for the LDP to desire to enact the legislation by Constitution Day as a symbol."

TS: "What is your image of what the new Constitution should be?"

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Abe: "(In the fall of 2005) marking its 50th anniversary, the LDP adopted a draft constitution. I think we will proceed with the debate in a way that the draft constitution can win support from as many lawmakers as possible."

TS: "Will the LDP plan serve as the base in drawing up specific

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plans with other parties?"

Abe: "I think so."

TS: "Are there any specific themes that you want to make a public

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appeal in the course of discussion?"

Abe: "As the debate proceeds, the best modality for local governments and decentralization would be firmed up, as well. The question of how to describe the regional bloc system in the Constitution would be discussed in pushing ahead with the Hokkaido regional bloc system special zone promotion legislation that was enacted last year."

TS: "The government plans to undertake research on individual cases

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on the nation's exercising of its right to collective self-defense. When are you going to produce a conclusion?"

Abe: "The international situation and the environment surrounding national security have changed dramatically. Given the government's responsibility for protecting people's lives and property, we must not spend too much time on it."

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TS: "As for the comfort women issue, your view is that there was no

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proof that Asian women were forcibly recruited to provide sexual services for Japanese soldiers during World War II. Are you planning to review the Kono Statement that expressed the government's apology and remorse?"

Abe: "There has been no change in my plan to honor the Kono Statement. The (draft) resolution (by the US House of Representatives seeking the prime minister's apology) is based on factual errors, however. There were no documents proving that constituted authorities had rounded up Asian women forcibly."

TS: "Do you intend to explain the matter properly to other

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countries?"

Abe: "I think I have offered additional explanations on the Kono Statement. But time and again, my explanations were over-interpreted and were not correctly carried to other countries and that drew negative reactions as a result. That's why I called them 'unproductive.'"

Commentary

Although Prime Minister Abe has repeatedly underlined the need for constitutional revision, he has rarely discussed specifically what part of the Constitution must be revised.

In the interview with the Tokyo Shimbun, he revealed a plan to

revise the Constitution to specify the introduction of the regional bloc system, which is expected to facilitate decentralization and civil service reform - challenges bigger than what the Abe administration has been addressing. Coming up with clear directions for those challenges will not be easy, however.

Discussing specifics about the envisaged constitutional revision at this point when national referendum legislation has yet to be established involves risks.

Despite that, Abe touched on the regional bloc system apparently based on his self-reflection of the Abe administration, which is now in its sixth month.

Although the Abe administration has been addressing a wide range of policy challenges, its support ratings have been plummeting. The prime minister seems to have switched his course to addressing larger themes for making Japan a beautiful country, regardless of opinion polls on his short-term goals.

Constitutional revision lies at the roots of the creation of a beautiful country.

Abe expressed his hope for an early enactment of national referendum legislation, as well. He is likely to continue sending strong messages on constitutional revision.

(2) Civil service reform plan follows wild path; Reform Minister Watanabe isolated in government with no assistance from Abe

ASAHI (Page 2) (Abridged)
March 9, 2007

A plan to reform the public servant system featuring a ban on

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amakudari (senior bureaucrats retiring into key jobs in public corporations or private firms closely linked to their government roles) is following a wild path. Administrative Reform Minister Yoshimi Watanabe, who is in charge of civil service reform, aims to totally ban ministries and agencies from arranging for retiring bureaucrats to get cushy jobs. Watanabe intends to project himself as a "fighting minister" by modeling his approach on the style of former Prime Minister Koizumi, who constantly fought the "forces of resistance." But Watanabe's plan has drawn stiff objections from bureaucrats, Liberal Democratic Party lawmakers, and other cabinet ministers. The administrative reform minister now finds himself left high and dry in the government with no support from Prime Minister Shinzo Abe. The growing power of the Kasumigaseki bureaucratic district stands out against the backdrop of work to submit related bills to the Diet in the current session.

The LDP committee on reform of the civil servant system met at party headquarters yesterday in which Administrative Reform Minister Watanabe explained a plan to establish a human resource bank after banning government offices from making arrangements for postretirement jobs. Hearing Watanabe's explanation, Upper House Causes Secretary General Toranosuke Katayama warned that a lack of trust of bureaucrats would hinder the plan.

Watanabe aims to insert a surgical knife into the amakudari system, which is regarded as the hotbed of bureaucrat-initiated bid rigging, by eliminating the senior government officials' practice of securing postretirement jobs for senior bureaucrats to push for early retirements.

Watanabe's plan elicited strong objections from attendants. In the session, 23 attendants voiced their opinions, and of them, only a few supported Watanabe's plan. The LDP's opposition before the meeting was so strong that Watanabe was barely able to hand out only two-page documents to the committee members.

The LDP's gaze at Watanabe has been cold from long before. Katayama and LDP Administrative Reform Promotion Headquarters chief Koki Chuma, a former administrative reform minister, are skeptical that Watanabe's plan to prohibit government offices from arranging jobs

for retiring bureaucrats will become reality.

After the meeting, headquarters secretary general Yoichi Miyazawa told reporters: "(Documents produced by Watanabe) do not mirror the government's view. The government must draw up bills on its own."

LDP lawmakers' strong objections come from an acute sense of alarm in the Kasumigaseki district about the gloomy outlook for the amakudari system. Between February 28 and March 5, Watanabe interviewed officials responsible for personnel affairs from such offices as the Finance Ministry and the Health, Labor, and Welfare Ministry in an effort to find out the actual situation of amakudari. In the interviews, all officials denied the existence of a system to force amakudari jobs on retiring bureaucrats.

This prompted Watanabe to aim at a system allowing retiring bureaucrats to openly exploit their experiences.

But in an informal cabinet meeting on Feb. 27, such members as Foreign Minister Taro Aso and Finance Minister Koji Omi complained that Watanabe's idea was void of real substance.

Abe remains elusive

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Prime Minister Abe has yet to clarify where he stands about eliminating the amakudari system. Abe simply said at his official residence last night: "I think Administrative Reform Minister Watanabe has been finalizing concrete measures in line with the government's policy to eradicate the amakudari practice."

The debate on the appropriateness of ministries and agencies making arrangements for postretirement jobs started with the Dec. 7 meeting of the Council on Economic and Fiscal Policy (CEFP). In the session, private-sector members presented a proposal calling for a ban on government bureaus from helping retiring officials land lucrative jobs in the private sector, saying that they would eventually make moves to obtain favors from government agencies of behalf of their new employers. The idea was similar to Watanabe's plan.

The proposal drew objections from participating cabinet ministers, including Finance Minister Omi and Economy, Trade, and Industry Minister Akira Amari, who underlined the need to help senior government officials find jobs outside the government as they near their retirement age.

Two days before the CEFP meeting, Deputy Chief Cabinet Secretary Junzo Matoba, a former Finance Ministry official, was briefed on the proposal in advance. Matoba rebutted the proposal, saying, "It's absurd to pound civil servants for the sake of elections."

Witnessing strong protests from other cabinet ministers in the CEFP meeting, Abe did not touch on the appropriateness to prohibit government agencies from brokering postretirement jobs.

A senior government official, who is in a position to support Prime Minister Abe, indicated matter-of-factly yesterday that the plan worked out by Watanabe, who was handpicked by Abe for the job, did not reflect the government's view.

Abe is visibly enthusiastic for national referendum legislation. But he appears less eager when it comes to the amakudari issue, just telling Watanabe to work things out with the LDP.

(3) Bid-rigging practices - Plunge scalpel into collusive ties (Part 1): Lenient measures leaving corrupt structure deep seated

NIHON KEIZAI (Page 1) (Excerpts)
March 8, 2007

The Fair Trade Commission brought criminal charges against general contractors for the first time on suspicion of violating the Antimonopoly Law with collusive arrangements to rig bids for subway construction projects in Nagoya. The presidents of leading general contractors had pledged to abandon bid-rigging practices in 2005.

In October 2005, before an amendment of the Antimonopoly Law took effect in January 2006 to toughen penalties for violations, the presidents of Kajima Corp., Taisei Corp., Shimizu Corp., Obayashi Corp., and Takenaka Komuten Co., secretly met to discuss how to bid farewell to bid-rigging practices. The five companies repeatedly held a meeting and agreed to reassign those engaged in tenders. But some executives worried that their collusive practices in Nagoya and Hiroshima would be exposed.

Among those arrested was Masahiro Shibata, former advisor to Obayashi's Nagoya branch. In the Tokai district, he took the lead in

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determining which firm would win tenders. In the Chubu district, a former managing director of Obayashi was playing the same role. The indictment of this managing director on suspicion of arranging tenders for a project offered by the Defense Facilities Administration Agency last March has led to a weakening of the group of major general contractors in Hiroshima. But the group in Nagoya remained influential.

After the agreement was reached among the five construction companies, their managers, fearing a huge surcharge, called together their employees to bid a farewell to bid-rigging practices. Kashima President Nakamura said determinedly, "We will not offer retirement allowances to employees if they are engaged in bid-rigging practices." Despite this warning, an illegal case still occurred in Nagoya.

Sales representatives in general contractors, once assigned to the public works section, start approaching coordinators for collusive arrangements to rig bids for projects in an effort to win contracts. Shibata reportedly had received cash or vouchers on his birthday or as summer or winter gifts, 500,000 - one million yen each.

In the engineering industry, many orders take a joint venture (JV)-type formula. Once one company is shunned in the industry, the company finds it difficult to receive an order. That is why sales representatives (in charge of bid-rigging practices) give priority to a reputation for reliability in the industry over that within their companies.

The Nagoya branches of several companies only too the measure of reassigning or transferring those in charge of tenders to other posts in the same branches, leaving the collusive ties intact in the industry. An informed industrial source said, "The presidents carried out 'propaganda activities,' but the steps actually taken were lenient."

In subway construct projects in Nagoya, about 90 general contractors were found in 1994 to have repeatedly carried out bid-rigging practices.

The tenders in question (held in 1988) were for projects to extend sections of the Sakuradori subway line in Nagoya. Since information on the illegal practices was leaked, a cover-up was reportedly undertaken. The recent scandal is similar to this case, showing that the corrupt structure remains in the construction industry.

Company executives involved in the allegations revealed in 1994 were not prosecuted in the end. Around that time, Shibata began to exert greater influence as a coordinator. Absorbing more than five million workers, the construction industry has supported local economies. Due to strong resistance, it was difficult to plunge a scalpel in the industry. Given tight financial conditions, though, the budget for public works projects in FY2006 was reduced to 18.12 trillion yen, almost half that in FY1995. Big-name lawmakers working for the interests of construction industry have disappeared, and the revised Antimonopoly Law has steadily produced positive results.

Although the tide is changing for the construction industry, the industry itself has yet to emerge from following its conventional system. Despite a sharp decrease in public works projects, there was no major change in the number of construction companies across the nation over the past decade. In local governments, governors who had

cozy relations with businesses were arrested. In the central

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government, the Law to Prevent Collusive Bidding at the Initiative of Government Agency will be applied to the Ministry of Land, Infrastructure and Transport for the first time.

(4) US military bases-related income reaches 200.6 billion yen, 5.3% of total income of citizens in Okinawa in FY 2004

Ryukyu Shimpo (Page 1) (Full)
March 8, 2007

The Okinawa prefectural government's planning office announced yesterday afternoon an estimated amount of income related to US military bases. This estimate is more accurate than the past one, because it was worked out based on new data provided by the US military. The total amount of base-related income in FY2004 was 200.6 billion yen, with money spent on transactions between military personnel or units and companies in Okinawa totaling 72.9 billion yen. The ratio of base-related income to total prefectural earnings (3,792.8 billion yen) was 5.3%.

For the estimate announced yesterday, a different calculation method was used for transactions with companies in the prefecture. The Okinawa prefectural government has announced for the first time the more accurate total amount of US military base-related income and the value of orders from the US military.

The total value of contracts for orders by the US military in Japan for construction projects and goods (worth more than 25,000 dollars) reached 80.5 billion yen. Orders placed to companies in the prefecture were worth 15.5 billion yen, accounting for 19.3% of total orders.

The planning office worked out estimates for FY2003 and FY2004. It intends to ask the US military to continue to provide data and compile a similar report every year.

Of income related to US military bases, the planning office was able to work out accurate amounts of wages paid to Japanese employees at US bases and payments for real estate rentals, based on budgetary records kept by the Defense Facilities Administration Agency, but the office worked out value transactions under the so-called "regression formula," using records related to currency exchanges and the like. Their accuracy therefore was questionable.

An itemized statement on transactions in the prefecture in FY2004 shows that 31.7 billion yen (43.5% of the total) was spent on building facilities within the base complexes, which are related to regional defense facilities administration bureaus; 13.1 billion yen (31.7%) as expenses related to US military units, including orders placed on companies in the prefecture; 3.9 billion yen (5.4%) paid to barbershops, cleaners and other shops; and 14.1 billion yen (19.4%) spent as servicemen's household consumption fees.

Of contracts concluded with companies in Okinawa, the largest amount of money - 364 million yen - was used to purchase other items, followed by 355 million yen to purchase official non-fighter planes, and 160 million yen for medical and dental equipment.

Under the conventional calculation method, base-related income in FY2004 is 174.3 billion yen, which includes 46.5 billion yen in value transactions in Okinawa. Under the new method, the figures 15% higher than these were worked out. The rate of base-related income to total earnings of citizens was also 0.7 percentage points higher

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than the 4.6% worked out under the conventional method.

SCHIEFFER